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Loan Insurance Agreement

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This Agreement made the 9th day of May, 1986

Between

Canada Mortgage and Housing Corporation
(hereinafter called "CMHC")

- and -

New Brunswick Housing Corporation
(hereinafter called "NBHC")

Whereas the Government of Canada (Canada) and the Government of New Brunswick (The Province) have entered into a Global Agreement on social housing (The Global Agreement) dated the 16th day of April 1986 enabling the Parties thereto to share the cost of any social housing programs or initiatives which they wish to foster jointly;

And whereas CMHC and NBHC have entered into an Operating Agreement for the purpose of carrying into effect the principles of the Global Agreement;

And whereas CMHC and NBHC have agreed in paragraph 14 of the Operating Agreement to cause this loan insurance agreement to be entered into for the purpose of carrying into effect the principles of subparagraph 14 (H) of the Operating Agreement;

And whereas CMHC and NBHC are housing agencies of Canada and The Province respectively.

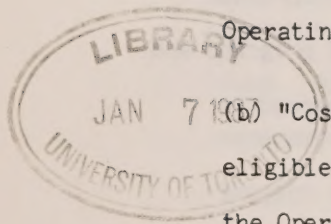
Now therefore this Agreement witnesseth that the Parties hereto, in consideration of the mutual covenants hereinafter contained, agree each with the other as follows:

1. Definitions

(a) The definitions contained in the Global Agreement and the Operating Agreement shall apply to this Agreement.

(b) "Cost sharing ratio for each project" shall be the eligible cost sharing ratio established for the program in the Operating Agreement modified to reflect the proportion of the insured loan that is ineligible to be cost shared under

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the Agreement. The adjustment to the cost sharing ratio shall be based on the relative loan values of the eligible and ineligible portions of the project as accepted by CMHC.

(c) "Eligible project costs" are the capital costs of the subsidy units/beds committed under the non-profit and urban native non-profit housing programs within the lesser of the actual cost, or the Maximum Unit Price applicable to the property at the time of commitment.

(d) "Ineligible project costs" are any capital costs which are in excess of eligible costs as outlined in the Agreement. These include, but are not limited to, additional residential dwelling units, additional non-residential space, commercial space, or any capital costs above the Maximum Unit Price applicable to the property at the time of commitment.

2. Scope of the Loan Insurance Agreement

(a) The recitals herein shall form an integral part of this Agreement.

(b) This Agreement applies to the administration of loans in default, the processing of claims submitted by NHA Approved Lenders on the mortgage insurance fund, the payment of claims to NHA Approved Lenders, the sharing of the costs of the claims, the administration of the acquired properties, the disposal of the acquired properties, and the sharing of all costs and recoveries from the time of acquisition to the time of disposal of the acquired properties.

(c) This Agreement applies to all new commitments which are insured by the mortgage insurance fund made in accordance with the Operating Agreement under the following programs and any future programs of CMHC and NBHC which are agreed to between the two Parties:

- Non-profit Housing Program

3. Administration of loans in default

(a) Upon notification by the NHA Approved Lender to CMHC of a loan account being in arrears for a period of three months or less, CMHC and NBHC shall work together to take appropriate action to avoid a claim.

(b) The active party under the Operating Agreement shall inform the other party of the cause of the property's arrears or potential arrears problem.

(c) CMHC and NBHC shall make best efforts to avoid a claim by the provision of additional funds to rectify default, or in instances where it is felt prudent, to have another public or private non-profit group acquire title to the property and assume the existing loan obligation to rectify the default.

(d) CMHC, after consultation with the NBHC, shall establish no later than 6 months from the date of default appropriate actions to be taken to satisfy the arrears problem.

(e) All instructions pertaining to administration of loans on projects in default shall be communicated directly to the NHA Approved Lender by CMHC. CMHC will keep NBHC informed of all such instructions.

(f) In the event that it is agreed by CMHC and NBHC that a claim on the mortgage insurance fund cannot be avoided, or if the period in paragraph (d) above expires, CMHC shall direct the NHA Approved Lender, upon notice to NBHC, to submit a claim on the mortgage insurance fund.

(g) No costs incurred in rectifying a default in an attempt to avert a claim shall be borne by the mortgage insurance fund. All costs shall be shared by CMHC and NBHC in accordance with the relevant cost-sharing ratio for each project as agreed upon by the two Parties in the Operating Agreement.

7. Disposal of acquired properties

(a) CMHC shall establish, after consultation with NBHC, the terms and conditions of disposal of an acquired property, including but not limited to, the purchaser, the sales price and the treatment of in situ tenants after sale. The Parties agree to take reasonable efforts, where feasible and prior to sale in the open market, to dispose of a property to a purchaser who will acquire, own and operate the property under one of the programs referred to in subparagraph 2(c) of this Agreement or another program which CMHC and NBHC have agreed to cost-share in the Operating Agreement.

Notwithstanding the aforementioned, if NBHC notifies CMHC in writing of its desire to acquire title to a property in its (NBHC's) own name absolutely, CMHC will agree to such transfer on payment to it of CMHC's proportionate share of all costs incurred in the acquisition and administration of such property in accordance with this Agreement.

(b) Disposal includes, but is not limited to, the sale of the acquired property, or the demolition of the structure and sale of the land component of the acquired property.

(c) Proceeds on disposal include, but are not limited to, sales proceeds or proceeds resulting from any fire and extended peril insurance settlement.

(d) The proceeds on disposal and the costs of disposal, including but not limited to marketing costs and commissions and costs of sales incentives arising from the sale agreement, and demolition costs, shall be shared by CMHC and NBHC in accordance with the relevant cost-sharing ratio for each property as set out in the Operating Agreement. All proceeds on disposal and costs related to disposal on the portion of the insured loan related to ineligible costs shall accrue solely to NBHC.

(e) The Party to whom the proceeds of disposal are paid shall remit to the Other Party its share of the net proceeds within 10 days of the closing of the sale, or within 10 days of receipt of funds from a disposal that is other than a sale.

8. Other provisions

(a) Conflict: In the event of conflict between any provision of this Agreement and any provision of the Operating Agreement, the latter shall govern.

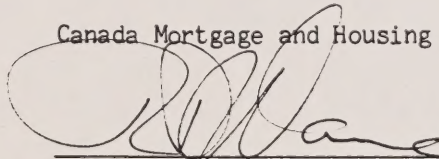
(b) Assignment: This Agreement shall not be assigned or otherwise transferred by either Party hereto.

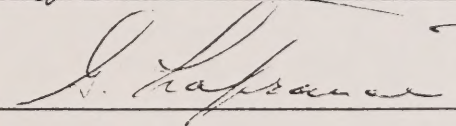
(c) Termination: This Agreement shall automatically terminate for any properties that are committed outside of the terms outlined in sub-paragraph 2(c) above.

(d) Books and records: The party administering a property shall keep complete, accurate records, accounts and other documents pertaining to the administration and sale of acquired properties, in accordance with the Operating Agreement for financial auditing purposes.

In witness whereof, the Parties hereto have executed these presents on the date first above written.

Canada Mortgage and Housing Corporation





New Brunswick Housing Corporation

